



Table of Contents

Definitions				. 1
Why Adopt Tax Expenditures				. 2
Revenue Estimates				. 2
State Revenue Losses				. 3
Local Revenue Losses				. 3
Unknown Revenue Losses				. 4
Legislative Intent				. 4
Other Tax Expenditure Reports				. 4
Personal Income Tax				. 5
Corporation Tax				. 7
Sales and Use Taxes				. 8
Fuel Taxes				. 9
Property Tax				10
Descriptive Detail				
Descriptive Detail				
Personal Income Tax				
Exclusion of Employer Contributions to Health Plans				11
Exclusion of Employer Pension Contributions				11
Home Mortgage Interest Deduction				12
Exclusion of Social Security Benefits				12
Exclusion of Capital Gains on Sale of a Principal Residence				13
Basis Step-up on Inherited Property				13
Charitable Contribution Deduction				14
Real Estate, Personal Property, and Other Taxes Deduction				14
Exclusion of Benefits Provided Under Cafeteria Plans				15
Dependent Exemption in Excess of Personal Exemption Credit				15
Employee Business and Miscellaneous Expenses Deduction				16
Exclusion of Investment Income on Life Insurance and Annuity Contracts				16
Head-of-Household and Qualifying Widow(er) Status				17
Exclusions for Individual Retirement Accounts				17
Medical and Dental Expenses Deduction				18
Exclusions for Self-Employed Retirement Plans				18
Exclusion of Miscellaneous Fringe Benefits				19
Deduction of Health Insurance Paid by Self-Employed				19
Exemption for Senior Citizens				20
Earned Income Tax Credit				20
Exclusion of Transportation-Related Fringe Benefits				21
Exclusion of Unemployment Insurance Benefits				21



Exclusion of Employer Contributions to Life Insurance Plans
Renters' Credit
Exclusion of Scholarship/Fellowship Income
Exclusion of Nonresident Military Pay
Exclusion of Meals and Lodging Furnished by Non-Military Employers
Exclusion of Employee Child Care Benefits
Exclusion of State Lottery Winnings
Student Loan Interest Deduction
Exclusion of Compensation for Injuries or Sickness
Exclusion of Employer-Provided Educational Assistance
Child and Dependent Care Credit
Exclusion of Housing for Clergy
Exclusion of Income Earned on Section 529 (Scholarshare) Plans
Moving Expense Deduction
Exclusion of Foster Care Payments
Casualty Losses Deduction
Limited Partnerships Investment Source Rules
Agricultural Soil or Water Conservation & Prevention of Erosion Cost Expensing 30
<u>Corporation Tax</u>
Water's Edge Election
Traces 2006 Elections 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Research and Development Credit
· · · · · · · · · · · · · · · · · · ·
Research and Development Credit
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36
Research and Development Credit31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36
Research and Development Credit31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37
Research and Development Credit31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38
Research and Development Credit31Enterprise Zones and Similar Areas32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38Percentage Depletion of Mineral and Other Natural Resources38
Research and Development Credit31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38Percentage Depletion of Mineral and Other Natural Resources38
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38Percentage Depletion of Mineral and Other Natural Resources38Hiring Credit (2013 Budget Act)39Jobs Tax Credit39
Research and Development Credit31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38Percentage Depletion of Mineral and Other Natural Resources38Hiring Credit (2013 Budget Act)39Jobs Tax Credit39
Research and Development Credit.31Enterprise Zones and Similar Areas.32Like-Kind Exchanges33Subchapter S Corporations33Tax-Exempt Status for Qualifying Corporations34Accelerated Depreciation of Research and Experimental Costs34Film Credit35Credit Union Treatment35California Competes Credit36Exemption from the Minimum Tax for First-Year Corporations36Low-Income Housing Credit37Employee Stock Ownership Plans37New Advanced Strategic Aircraft Hiring Credit38Percentage Depletion of Mineral and Other Natural Resources38Hiring Credit (2013 Budget Act)39Jobs Tax Credit39Expensing of Timber Growing Costs40



Sales and Use Taxes

Food Products				43
Prescription Medicine				43
Gas, Electricity, and Water				44
Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, & Medicines				44
Candy, Confectionery, Snack Foods, and Bottled Water				45
Manufacturing & Research & Development Equipment Exemption				45
Farm Equipment and Machinery				46
Fuel Sold to Common Carriers				46
Custom Computer Programs				47
Diesel Fuel Used in Farming and Processing				47
Subscription Periodicals				48
Water Common Carriers				48
Teleproduction and Post-Production Equipment				49
California Alternative Energy				49
Motion Picture Production Services				50
Meals Furnished by Institutions				50
Leases of Motion Pictures and Television Films and Tapes				51
Printed Advertising				51
Fuel Taxes				
Aircraft Jet Fuel Used by Common Carriers and Military				52
Fuel Used by Transit Districts and Schools				
Property Tax				
Computer Programs				53
Fixtures Excluded From the Supplemental Roll				53



Introduction

The Department of Finance has been required to provide a tax expenditure report to the Legislature since 1971. Chapter 1762, Statutes of 1971, required that a biennial report be submitted to the Legislature. Chapter 268, Statutes of 1984, increased the reporting frequency from once every two years to once a year. Chapter 49, Statutes of 2006, required the report to include each of the following:

- A comprehensive list of tax expenditures exceeding \$5 million.
- The statutory authority for each provision.
- A description of the legislative intent of each provision, if specified in the enacting legislation.
- The sunset date of each provision.
- The beneficiaries of the provision.
- An estimate of the state and local revenue loss for the current and two subsequent fiscal years.
- For personal income tax expenditures, the number of taxpayers and returns affected for the most recent tax year.
- For corporation and sales tax expenditures, the number of returns or businesses affected for the
 most recent year for which data is available.
- A listing of any comparable federal benefit.
- A description of any tax expenditure evaluation or compilation of information completed by any state agency since the last tax expenditure report by the Department of Finance.

This report fulfills the Department's statutory requirement pursuant to Government Code Section 13305. The narrative descriptions and revenue estimates for the tax expenditures included in this report are based on state laws for these tax expenditures as of June 30, 2016.

Definitions

There is no absolute rule for defining tax expenditures, and the concept of a "tax expenditure" can be defined in several different ways. Section 13305 defines tax expenditure as "a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state." Although this definition is very broad, Finance has interpreted it to mean that aspects of the law that are basic to the tax structure are not tax expenditures. While the term "basic" is still ambiguous, it at least presents a framework for discussion as to what is not a tax expenditure. Following are some examples of items that are not considered tax expenditures.

- Because the basic structure of each tax is used as the starting point for determining what constitutes
 a tax expenditure, elements of the basic tax structure that exempt certain groups are not considered
 tax expenditures. For example, the sales tax is imposed on retailers for the privilege of selling
 tangible personal property at retail. According to its basic definition, California's sales tax does
 not apply to sales or leases of real property, sales of services, wholesale transactions, or sales of
 securities and insurance. These exemptions are therefore not considered tax expenditures.
- The net operating loss (NOL) deduction levels the playing field for firms with volatile and steady income, and is also not considered a tax expenditure for this report. For example, consider two firms, one with a \$100 loss in year one and a \$300 gain in year two, the second with a \$100 gain in each year. Without a NOL deduction, over the two years, the first firm would report \$300 taxable income, while the second would report \$200, even though each had \$200 net income.
- Across-the-board tax rate reductions do not represent tax expenditures. Tax expenditures resulting
 from changes in the rate structure only exist if different sets of rates are applied to a similar base.



- Progressive rate structures do not constitute tax expenditures. The basic structure of California's
 income tax is progressive. For that reason, application of different tax rates to different income
 levels is a basic characteristic of the tax and does not represent a tax expenditure.
- Exemptions or exclusions required by the U.S. Constitution, the California Constitution, or federal laws are not considered tax expenditures.
- Changes in tax law that alter penalties or interest or that accelerate or defer tax payments are generally not considered tax expenditures unless they are very narrowly targeted.

There is no single rule for determining what constitutes an element of the basic tax structure. For this reason, this report may exclude items that are included in other tax expenditure reports and vice versa.

This report, for the first time, does not include apportionment rules as a tax expenditure. In the past, the state has at various times adopted the following rules for apportioning income to California for most businesses that operate both inside and outside California: equal-weighted three-factor formula, double-weighted sales factor, elective single-sales factor, and mandatory single-sales factor. Previous versions of this report had considered equal-weighted three-factor formula to be normal tax law. The revenue impact of any of the other three apportionment rules was measured against this normal law. However, now that mandatory single-sales factor apportionment is required for most multi-state businesses and is used by almost one-half of the states in the nation, it should be treated as part of California's basic tax structure. As such, this report does not treat mandatory single-sales factor as a tax expenditure.

Why Adopt Tax Expenditures

Tax expenditures may be classified into the following two broad groups:

- Those which provide an incentive for a particular type of behavior.
- Those which provide tax relief for taxpayers facing a particular economic hardship.

There are several differences between tax expenditures and direct expenditures (those authorized through the budget process). First, tax expenditures are reviewed less frequently than direct expenditures once they are in place. This can offer taxpayers more certainty than if tax expenditures were subject to annual review, but can also result in tax expenditures remaining in the tax code when their cost outweighs their social benefits.

Also, with certain notable exceptions, there is no control over the amount of foregone revenue that results from a tax expenditure once that provision has become part of the tax code. Finally, the vote requirements for tax expenditures and direct expenditures may be different. Tax expenditures that are adopted legislatively (except those adopted as urgency measures) require approval by a simple majority of both houses of the Legislature. A two-thirds vote is required for General Fund appropriations outside the Budget. Additionally, the repeal of a tax expenditure requires a two-thirds majority vote, while normal expenditures can be repealed with a simple majority vote.

Revenue Estimates

The estimates listed in this report are intended as a general indication of revenue losses from tax expenditure programs. In general, revenue estimates for the Personal Income Tax and Corporation Tax Laws are easier to quantify than those for the Sales and Use Tax Law. Personal income and corporation tax returns contain significant detail regarding different sources of income and types of exemptions, exclusions, deductions, and credits claimed. Thus, tax return data are often available when estimating the fiscal impact of various income and corporation tax expenditure programs. In contrast, returns filed by taxpayers under the Sales and Use Tax Law contain little specific information regarding items purchased from individual retailers. For this reason, independent data sources must be used when estimating the revenue impacts of various sales tax expenditure programs, and these estimates can be less accurate than those for the Personal Income Tax and Corporation Tax Laws. In addition, certain estimates under all of the tax laws for which tax expenditure costs are cited can be subject to significant margins of error due to data limitations.



Due to the effects of tax law interactions and taxpayer reactions to changes in tax law, the estimates for any individual tax expenditure in this report do not necessarily reflect the revenue gain that would occur if the tax expenditure was repealed. For example, repeal of the Section 529 Scholarshare plans may shift savings into Coverdell education savings accounts with similar tax benefits. Or, elimination of the mortgage interest deduction could lead to lower home prices and a reduction in the amount of property tax deductions for income tax purposes. Further, while the report displays the total value of the major identified expenditures within each major tax, these figures are best viewed as a general indication of revenue losses. Since each tax expenditure is measured separately and independently of other tax provisions, the fiscal impact of individual tax expenditures cannot be summed to generate the total fiscal impact of all tax expenditures.

With the exception of the deduction for charitable contributions, the revenue loss for tax expenditures that are included in both Corporate and Personal Income Tax Laws are shown under the tax with the greatest revenue loss. For Subchapter S corporation treatment, the revenue gain under the personal income tax is netted against the loss for the corporation tax and the result is shown under the corporation tax.¹

State Revenue Losses

Personal Income Tax—The Personal Income Tax Law includes the vast majority of all tax expenditure programs approved to date. It is estimated that tax expenditures will reduce 2016-17 Personal Income Tax General Fund revenues by more than \$41 billion.

Sales and Use Tax—The Sales and Use Tax Law contains separately identifiable state tax General Fund expenditures worth about \$10 billion in 2016-17. Examples of these include food; prescription medicines; gas, electricity, and water delivered through mains; farm equipment; and fuel sold to common carriers.

Corporation Tax—Fiscal year 2016-17 General Fund tax expenditures in the corporation category amount to over \$6 billion. Examples of these expenditures include provisions for research and development, interest on state and local government obligations, and provisions for water's edge election.

Other Taxes—Remaining tax expenditure programs are estimated to reduce revenues by over \$100 million annually. Much of this revenue loss results from aircraft jet fuel used by common carriers and the armed services, and diesel fuel used by transit districts and schools.

Local Revenue Losses

The revenue losses to local governments are also shown for the sales tax and the property tax. Property taxes are local taxes, and the legislative exemptions or preferential provisions do not constitute state tax expenditures. Nonetheless, they impact state finances because local tax exemptions reduce property tax allocations to schools. Under school finance law, the state is generally required to provide the difference in funding between local property tax allocations and school districts' revenue limits. Consequently, each dollar of property tax revenue foregone by schools results in additional state funding through the school apportionment process. Passage of Proposition 98 in November 1988 created an additional link between property taxes and state operations. The Proposition 98 minimum funding guarantee is determined each year according to a particular test—Test 1, Test 2, or Test 3—based on specified economic and fiscal circumstances in a given year. Under the Test 2 and Test 3 formulas, the minimum funding level is affected by the level change in property taxes. However, under Test 1, property taxes allocated to schools and community colleges are not part of the guaranteed funding level.

Local government revenue losses from identifiable property tax exemptions are estimated to be in excess of \$100 million, while losses from sales tax expenditures are estimated to be in the range of \$10 billion.

¹The Earned Income Tax Credit is subject to legislative appropriation each year by a simple majority vote to set its adjustment factor for a given year.



Unknown Revenue Loss Areas

It is not always possible to quantify the revenue loss of a particular tax expenditure. Fortunately, in most instances, those tax expenditures whose revenue impact cannot be estimated represent unique situations and probably do not result in significant revenue losses. Some examples of tax expenditures for which revenue losses cannot be quantified include sales tax exemptions for livestock and for meals furnished by institutions, and property tax exemptions for intangibles and air carrier ground time.

Legislative Intent

This report includes the legislative intent of the tax expenditure when that intent was specified in the enacting or amending legislation.

Other Tax Expenditure Reports

The Franchise Tax Board released the latest version of their report, California Income Tax Expenditures, Compendium of Individual Provisions: Report for 2012 Tax Year Data, covering personal income tax and corporation tax expenditures, in November 2015. This report can be accessed on the Internet at www.ftb.ca.gov under "About Us" in "Reports, Plans and Statistics."

The Board of Equalization released the latest version of its Publication 61 Sales and Use Taxes: Exemptions and Exclusions in July of 2014. This report can be accessed on the Internet at www.boe.ca.gov in "Forms and Pubs."

The Legislative Analyst's Office released a report, Options for Modifying the State Child Care Tax Credit, in April 2016. The report provided background information on the Child and Dependent Care Expenses Credit which allows filers with income below \$100,000 to reduce their tax liability by a percentage of their eligible child care expenses. The Legislative Analyst's Office issued another report, Community Development Financial Institution (CDFI) Tax Credit, in June 2016. This report evaluates the effectiveness of the tax credits allowed for qualified investments in Community Development Financial Institutions. Both of these reports can be accessed on the Internet at www.lao.ca.gov in "Publications."



Exclusion of employer contributions to health plans State General F Exclusion of employer contributions to health plans \$5,800 \$5,800 Exclusion of employer pension contributions 4,300 \$5,800 Exclusion of employer pension contributions 3,500 \$5,800 Exclusion of sequence of exclusion contributions 3,200 \$5,00 Exclusion of social security benefits 3,200 \$2,00 Exclusion of social security benefits 2,300 \$2,400 Basis step-up on inherited property 2,370 \$2,400 Charitable contributions deduction 2,370 \$2,400 Charitable contributions deduction 1,300 1,400 Real estate, personal property and other taxes deduction 1,300 1,300 Exclusion of benefits provided under cafeteria plans 1,300 1,300 Exclusion of investment income on life insurance and amunity contracts? 1,200 1,300 Exclusions for individual retirement accounts 2,600 1,000 Medical and dental expenses deduction 2,600 1,000 Exclusions for self-employed retirement plans 2,600 2,600			
Provision 2014-15° 2 to health plans \$5,800 ributions 4,300 3,500 3,500 f principal residence 2,500 f principal residence 2,400 cother taxes deduction 1,730 personal exemption credit 1,300 ous expenses deduction 1,300 uidower filing status 1,000 accounts 750 accounts 750 ction 480 nent plans 450 by self-employed 260 by self-employed 240 0 0			
Provision 2014-15° 2015-16° to health plans \$5,800 \$5,800 ributions 3,500 3,800 tiputions 3,500 3,800 tiputions 3,500 3,800 tiputions 3,200 3,400 tiputions 2,400 2,400 traceferer 2,400 2,400 traceferer 2,370 2,470 personal exemption credit 1,300 1,300 personal exemption credit 1,300 1,300 ous expenses deduction 1,300 1,300 ous expenses deduction 1,300 1,300 life insurance and annuity contracts? 1,200 1,300 vidower filing status 750 800 accounts 750 480 550 ment plans 460 470 enefits 240 260 by self-employed 240 255 constants 240 260 column 240 260 <th>State General Fund Revenue Loss</th> <th>ne Loss</th> <th></th>	State General Fund Revenue Loss	ne Loss	
to health plans \$5,800 \$ tributions 4,300 tributions 3,500 f principal residence 2,500 f principal residence 2,400 cross and consists of the taxes deduction 1,730 personal exemption credit 1,300 personal exemption credit 1,300 ous expenses deduction 1,300 life insurance and annuity contracts ² 1,000 accounts 750 accounts 750 accounts 750 accounts 750 enefits 300 by self-employed 240 0 0	2016-17	2017-18°	2018-19°
ributions 4,300 si 500 3,500 f principal residence 2,500 f principal residence 2,400 cother taxes deduction 1,730 personal exemption credit 1,300 ous expenses deduction 1,300 ilfe insurance and annuity contracts 2 1,200 vidower filing status 750 accounts 750 crion 480 nent plans 300 by self-employed 260 by self-employed 240 0 0	\$5,800 \$6,000	\$6,400	\$6,200
3,500	5,500 6,500	7,500	7,500
f principal residence 2,500 f principal residence 2,400 other taxes deduction 1,730 other taxes deduction 1,300 ous expenses deduction 1,300 ous expenses deduction 1,300 life insurance and annuity contracts 1,000 accounts 750 ction 480 ction 480 ction accounts 300 by self-employed 260 by self-employed 240	3,800 4,200	4,500	4,600
f principal residence 2,500 coher taxes deduction 2,400 other taxes deduction 1,730 personal exemption credit 1,300 ous expenses deduction 1,300 life insurance and annuity contracts² 1,200 vidower filing status 750 accounts 480 ction 450 nent plans 300 by self-employed 260 by self-employed 240	3,400 3,600	3,800	3,700
2,400 other taxes deduction r cafeteria plans personal exemption credit ous expenses deduction life insurance and annuity contracts 2 life insurance and annuity contracts 2 life insurance and annuity contracts 2 life insurance and annuity contracts 300 secounts accounts the insurance and annuity contracts 250 sition nent plans by self-employed 240 0	3,000	3,200	2,900
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erty and other taxes deduction 1,730 ded under cafeteria plans 1,400 xcess of personal exemption credit 1,300 iscellaneous expenses deduction 1,300 come on life insurance and annuity contracts² 1,200 railriying widower filing status 750 railrement accounts 750 res deduction 480 ed retirement plans 450 s fringe benefits 260 nce paid by self-employed 260 ns 240 ns 240	2,470 2,660	2,850	2,940
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xcess of personal exemption credit 1,300 iscellaneous expenses deduction 1,300 come on life insurance and annuity contracts² 1,200 railfying widower filing status 750 ritrement accounts 480 ess deduction 480 ed retirement plans 450 s fringe benefits 300 nce paid by self-employed 260 ns 240 ns 240	1,400 1,500	1,600	1,500
iscellaneous expenses deduction 1,300 come on life insurance and annuity contracts² 1,200 lalifying widower filing status 750 est deduction 480 ed retirement plans 450 s fringe benefits 300 nce paid by self-employed 260 ns 240 ns 240	1,300 1,400	1,500	1,500
come on life insurance and annuity contracts² 1,200 ralifying widower filing status 1,000 ritirement accounts 750 ses deduction 480 ed retirement plans 450 s fringe benefits 300 nce paid by self-employed 260 ns 240 ns 240	1,300 1,400	1,400	1,400
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ses deduction 480 ed retirement plans 450 s fringe benefits 300 noe paid by self-employed 260 ns 240	1,100 1,100	1,200	1,200
ses deduction 480 ed retirement plans 450 s fringe benefits 300 nce paid by self-employed 260 ns 240	800 850	006	006
ed retirement plans 450 s fringe benefits 300 nce paid by self-employed 240 ns 0	550 550	009	009
s fringe benefits 300 nce paid by self-employed 260 ns 0	470 500	200	550
nce paid by self-employed 260 ns 240	310 310	320	300
ns 240 0	260 260	250	240
0	260 270	290	310
	255 295	325	357
Exclusion of transportation-related fringe benefits 200 210	210 220	230	220
Exclusion of unemployment insurance benefits 150	160 160	150	150
Exclusion of employer contributions to life insurance plans	130 130	130	130
Renters' credit 110 110	110 110	120	120
Exclusion of scholarship/fellowship income	110 120	130	130



Personal Income Tax (continued)

Major Identifiable Tax Expenditures of \$5 Million or More (Dollars in Millions)	f \$5 Million o	or More			
Personal Income Tax (continued)					
		State Gene	State General Fund Revenue Loss	enne Loss	
Provision	2014-15	2015-16	2016-17	2017-18	2018-19 ^e
Exclusion of non-resident military pay	80	80	80	98	85
Exclusion of meals and lodgings furnished by non-military employers	80	85	06	06	06
Exclusion of employee child care benefits	80	85	85	85	80
Exclusion of state lottery winnings	75	90	100	100	95
Student loan interest deduction	75	85	85	06	06
Exclusion of compensation for injuries or sickness	65	70	70	70	65
Exclusion of employer-provided educational assistance	09	90	09	09	09
Child and dependent care credit (Nonrefundable)	34	34	34	34	34
Exclusion of housing for clergy	31	32	32	32	30
Exclusion of income earned on Section 529 (Scholarshare) plans	30	35	45	55	55
Moving expense deduction	26	27	29	30	30
Exclusion of foster care payments	16	16	16	16	15
Casualty losses deduction	13	13	14	14	14
Limited partnerships investment source rules	12	12	11	10	10
Agricultural Soil or Water Conservation and Prevention of Erosion Cost Expensing ²	5	4	4	4	4
Total	\$35,882	\$38,563	\$41,530	\$44,510	\$43,644

^eFstimate

'Some recipients of Social Security are not required to report this income on their federal tax returns. The number of returns reported here is the number with Seocial Security income that was reported on their federal tax return.

²This item includes corporate tax amounts.



Corporation Tax

Major Identifiable Tax Expenditures of \$5 Million or More (Dollars in Millions)	es of \$5 Mil ons)	lion or More			
Corporation Tax					
		State Gene	State General Fund Revenue Loss	ssoT enue	
Provision	2014-15	2015-16°	2016-17	2017-18°	2018-19 ^e
Water's edge election	\$2,000	\$2,200	\$2,300	\$2,400	\$2,600
Research and development credit	1,400	1,500	1,600	1,700	1,700
Enterprise Zone And Similar Areas ¹	850	009	410	310	250
Like-kind exchanges¹	150	750	750	800	750
Subchapter S corporations	230	220	210	200	190
Tax-exempt status for qualifying nonprofit and charitable corporations	150	160	160	160	170
Charitable contributions deduction ²	130	130	140	150	160
Accelerated depreciation of research and experimental costs ¹	110	120	130	140	140
Film credit ³	91	104	110	157	195
Credit union treatment	08	06	95	100	110
California Competes Credit	10	39	75	115	155
Exemption from the Minimum Tax for First-Year Corporations	20	55	52	09	09
Low-income housing credit	37	39	41	43	46
Employee stock ownership plans ¹	31	38	40	42	43
New advanced strategic aircraft hiring credit	0	0	20	20	20
Percentage depletion of mineral and other natural resources1	19	19	20	22	22
Hiring Credit (2013 Budget Act)	3	7	10	14	17
Jobs Tax Credit 20091	10	5	3	2	1
Expensing of timber growing costs ¹	8	9	6	6	6
Reforestation ¹	9	9	7	8	8
Community Development Financial Institutions Tax Credit ¹	4	9	9	4	2
Natural Heritage Preservation Credit ¹	1	3	4	9	7
Corporate Tax Total	\$5,970	\$6,100	\$6,195	\$6,462	\$6,655
^e Estimated					

^eEstimated

'This item includes personal income tax amounts.

²This includes only corporate tax amounts; personal income tax amounts are seperately reported.

³Sales tax exclusions are included in the totals here. Actuals were \$11 million in 2014-15 and \$9 million in 2015-16. Estimated to account for 17 percent of the total beginning in 2016-17.



Sales and Use Taxes

		Ň	ıjor Identifia	ble Tax Expe (Dollars	ax Expenditures of (Dollars in Millions)	Major Identifiable Tax Expenditures of \$5 Million or More (Dollars in Millions)	More					
Sales and Use Taxes												
		2014-15			2015-16		2016-17	-17	2017-18	-18	2018-19	19
	State		State Fiscal	State		State Fiscal Recovery	State General		State		State	
Provision	General	Local ²	Kecovery	General	Local ²	Fund ¹	Fund³	Local ²	General	Local	General	Local ²
	4.1875%	3.9825%	0.2500%	4.1875%	3.9825%	0.1250%	4.0625%	4.2325%	3.9375%	4.2325%	3.9375%	4.2325%
Food products	\$3,413	\$3,246	\$204	\$3,602	\$3,426	\$108	\$3,665	\$3,819	\$3,715	\$3,993	\$3,868	\$4,158
Prescription medicine	1,978	1,881	118	2,087	1,985	62	2,124	2,212	2,152	2,314	2,241	2,409
Gas, electricity, and water	1,896	1,803	113	2,001	1,903		2,036	2,121	2,064	2,218	2,149	2,310
Animal life, feed, seeds, plants, fertilizer, drugs,	040	300	63	900	00	00	040	600	990	1 007	700	1 060
Candy confectionery enact foods and bottled	0/0	000	20	920	000	70	246	305	CCG	1,02,	100	600,1
water	417	397	25	4	419	13	448	467	454	488	473	208
Manufacturing and research & development												
equipment exemption	136	0	0	190	0	0	210	0	220	0	220	0
Farm equipment and machinery	176	0	10	185	0	9	188	0	191	0	199	0
Fuel sold to common carriers	103	86	9	109	104	3	111	116	113	121	117	126
Custom computer programs	69	99	4	73	69	2	74	22	22	80	82	84
Diesel fuel used in farming and processing	48	45	3	20	48	2	51	23	52	26	54	28
Subscription periodicals	39	37	2	40	40	1	40	44	43	46	45	48
Water common carriers	26	25	2	28	26	1	28	29	29	31	30	32
Teleproduction and post-production equipment	14	13	1	14	14	0	15	15	15	16	15	17
Film Credit (sales tax portion only)	5	5	0	5	4	0	10	10	13	14	17	18
California Alternative Energy	8	8	1	6	6	0	14	14	18	20	19	21
Motion picture production services⁴	-	-	-	-		-	-	-	-	-		
Meals furnished by institutions ⁴	•	•		-	•	•		•		•	•	
Leases of motion pictures, television films, tapes4												
	•	-	•		•	-		-	1			•
Printed advertising⁴	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$9,206	\$8,459	\$541	\$9,761	\$8,927	\$285	\$9,957	\$9,960	\$10,108	\$10,424	\$10,519	\$10,857
1 In officet for the first 6 months of 2015 16												

¹ In effect for the first 6 months of 2015-16.

Rate includes the 2011 Realignment 1.0625%, 1991 Local Revenue Fund 0.50%, Local Public Safety Fund 0.50%, Local Bradley Burns 1.00% (reverted to 1.25% on January 1, 2016), and the average county add-on of .92%.

Rate includes one-half year impact from the sales tax imposed by Proposition 30, which expires at end of 2016.

Unknown revenue losses.



Fuel Taxes

		Š	ajor Iden	tifiable Tax (C	Major Identifiable Tax Expenditures of \$5 Million or More (Dollars in Millions)	ures of \$	5 Million o	or More							
Fuel Taxes															
	2014-1	2014-15 Revenue Loss	SSO	2015-16	2015-16 Revenue Loss	-oss	2016-1	2016-17 Revenue Loss	Loss	2017-1	2017-18 Revenue Loss	Loss	2018-19	2018-19 Revenue Loss	SSO-
	State	State		State	State		State	State			State		State	State	
	General	Special		General	Special		General	Special		General	Special		General	Special	
Provision	Fund	Fund	Local	Fund	Fund	Local	Fund	Fund	Local		Fund	Local	Fund	Fund	Local
Aircraft jet fuel used by common carriers and military Diesel and use fuel used by transit districts and schools	0\$	\$40	0\$	0,0	\$417	0\$	0\$	\$41	0g O	0\$	\$4.1 8	0\$	0 \$ 0	\$43 8	0\$
Total	\$0	\$48	\$0	\$0	\$48	\$0	\$0	\$49	\$0	\$0	\$49	\$0	\$0	\$51	\$0



Property Tax

Major Identifiable Tax Expenditures of \$5 Million or More (Dollars in Millions)	s of \$5 Mi s)	llion or Mo	re		
Property Tax					
		Lo	Local Revenue Loss	sso.	
Provision	2014-15	2015-16	2016-17	2014-15 2015-16 2016-17 2017-18 2018-19	2018-19
Computer programs ¹	ı	ı	ı	,	ı
Fixtures excluded from the supplemental roll ²	ı	•	•	ı	1

¹Unknown, but in excess of \$100 million per year. ²Unknown, but in low tens of millions of dollars per year.

Exclusion of Employer Contributions to Health Plans

Description:

Contributions by employers to provide accident and health benefits are excluded from the income of employees.

Statutory Authority:

Revenue and Taxation Code Section 17131 in conformity with Internal Revenue Code Section 106

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusion of Employer Pension Contributions

Description:

Employer contributions to qualified retirement plans are generally excluded from employees' income, subject to annual limits.

Statutory Authority:

Revenue and Taxation Code Section 17501, which conforms to Internal Revenue Code Section 401

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

California generally conforms to federal law concerning employers' deductions for pension contributions.

Home Mortgage Interest Deduction

Description:

Taxpayers may generally deduct a limited amount of interest paid or accrued within the taxable year for acquiring, constructing, substantially improving, or refinancing their principal and one other residence.

Statutory Authority:

Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 163

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 4.2 million returns claimed a deduction for home mortgage interest expenses. This represented 7 million taxpayers.

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusion of Social Security Benefits

Description:

Social Security and federal railroad retirement benefits are not subject to tax

Statutory Authority:

Revenue and Taxation Code Section 17087

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For 2013, 1.7 million tax returns claimed this exclusion, which represented 2.7 million taxpayers.

Comparable Federal Benefit:

Under federal law, these benefits are partially taxed.

Exclusion of Capital Gains on Sale of a Principal Residence

Description:

An individual may exclude up to \$250,000 of gain realized on the sale of a principal residence. For joint returns, the exclusion is \$500,000.

Statutory Authority:

Revenue and Taxation Code Section 17131 and 17152 in conformity with Internal Revenue Code Section 121

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Basis Step-Up on Inherited Property

Description:

The basis of property acquired by bequest, devise, or inheritance is the fair market value at the date of death. Therefore, appreciation that occurred prior to the death is not taxed.

Statutory Authority:

Revenue and Taxation Code Sections 18031, 18035.6, 18036.6 in conformity with Internal Revenue Code Section 1014

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Charitable Contribution Deduction

Description:

A deduction is allowed for cash or certain non-cash contributions to qualifying nonprofit or governmental entities. For personal income taxpayers, the deduction is only available to those who itemize their deductions. The deduction amount is limited depending upon the type of contribution and recipient, but in no case may exceed 50 percent of adjusted gross income. For corporate taxpayers, the limit is 10 percent of taxable income. Contributions in excess of these amounts may be carried forward for up to five years.

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17275.5, 24357-24359.1 in conformity with Internal Revenue Code Section 170

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 4.7 million personal income tax returns claimed this deduction, representing 7.5 million taxpayers. This deduction was also claimed on 168,000 corporation tax returns.

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Real Estate, Personal Property, and Other Taxes Deduction

Description:

Individual taxpayers may deduct certain taxes as an itemized deduction. This includes property taxes, personal property taxes including vehicle license fees, one-half of self-employment taxes, and other state, local, and foreign taxes relating to a trade or business or property held for the production of income.

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17220, 17222 which conforms to Internal Revenue Code Section 164

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 9.4 million returns, representing 15.2 million taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision conforms to federal law.

Exclusion of Benefits Provided Under Cafeteria Plans

Description:

The value of benefits received from an employer-sponsored cafeteria plan is not subject to tax. Cafeteria plans allow employees to choose between monetary compensation and qualified benefits, such as health insurance, life insurance, and dependent care benefits. If monetary compensation rather than benefits is selected, the amount is subject to tax.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 125

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Dependent Exemption in Excess of Personal Exemption Credit

Description:

A nonrefundable personal exemption credit is allowed for all taxpayers and their dependents. The exemption credit for dependents is over three times greater than the exemption allowed for the taxpayer or their spouse. A temporary reduction of the dependent credit to the level of the personal credit was instituted for the 2009 and 2010 tax years.

Statutory Authority:

Revenue and Taxation Code Sections 17054, 17054.1, 17056, and 17733

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

In 2013, 6.4 million tax returns, representing 9.8 million taxpayers, claimed this credit.

Comparable Federal Benefit:

Federal law allows a personal exemption deduction, rather than a credit. The deduction amount for dependents is the same as that for taxpayers. Federal law also allows a child tax credit of \$1,000 per child.

Employee Business and Miscellaneous Expenses Deduction

Description:

Certain unreimbursed employee expenses, expenses of producing income, and other qualifying expenses may be deducted as a miscellaneous itemized deduction. Amounts for meals and entertainment are limited to 50 percent of the expense. The deduction is limited; only the amount in excess of 2 percent of the taxpayer's federal adjusted gross income may be deducted.

Statutory Authority:

Revenue and Taxation Code Sections 17072, 17076, 17201 which generally conform to Internal Revenue Code Sections 62(a), 67, 68, 162, 274

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 2 million returns, representing 3 million taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision is in general conformity with federal law.

Personal Income Tax

Exclusion of Investment Income on Life Insurance and Annuity Contracts

Description:

The proceeds of a life insurance policy of a deceased person are generally excluded from the income of the beneficiary. Amounts received from a "living benefits" contract are also excluded from income, as are certain survivor benefits paid as an annuity to the beneficiary of a public safety officer killed in the line of duty.

Statutory Authority:

Revenue and Taxation Code Sections 17131, 17132.5, 24302, and 24305 which conform to Internal Revenue Code Section 101

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision generally conforms to federal law.

Head-of-Household and Qualifying Widow(er) Filing Status

Description:

Individuals who provide a home for a qualifying relative are eligible for lower tax rates than are available for single persons or a married person filing separately.

A qualifying widow(er) may claim a larger personal exemption in addition to the lower tax rates provided to heads-of-households. A qualifying widow(er) is an individual whose spouse died within the two prior years and has not remarried, and who provides the main home for an eligible dependent.

Statutory Authority:

Revenue and Taxation Code Section 18521 which is in partial conformity with Internal Revenue Code Section 2

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 2.4 million returns, representing 2.4 million taxpayers, used the head-of-household or qualifying widow(er) filing status.

Comparable Federal Benefit:

This provision is in partial conformity with federal law.

Personal Income Tax

Exclusions for Individual Retirement Accounts

Description:

Taxpayers who receive compensation that is included in gross income and who are under 70-1/2 years of age may be allowed a deduction in computing adjusted gross income for contributions to their Individual Retirement Account (IRA). Earnings in IRAs are excluded from income until they are distributed to the taxpayer.

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17203, 17501, 17504-09, 17551, and 17563.5 in conformity to Internal Revenue Code Section 219

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Medical and Dental Expenses Deduction

Description:

Taxpayers may take an itemized deduction for qualified medical and dental expenses incurred on behalf of the taxpayer, the taxpayer's spouse, and/or the taxpayer's dependents.

Only unreimbursed expenditures that exceed 7.5 percent of federal adjusted gross income are deductible.

Statutory Authority:

Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 213

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 1 million returns, representing 1.6 million taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusions for Self-Employed Retirement Plans

Description:

Self-employed persons are allowed a limited deduction when computing adjusted gross income for contributions to a self-employed retirement plan. Income generated by these contributions is also excluded from taxation until the assets are withdrawn.

Statutory Authority:

Revenue and Taxation Code Sections 17501, 17504, 17506, and 17507 which generally conform to Internal Revenue Code Sections 219, 401-404, 408, and 415

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Self-employed individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision generally conforms to federal law.

Exclusion of Miscellaneous Fringe Benefits

Description:

Certain fringe benefits are excluded from the income of the employees who receive them. This includes free special services such as free stand-by flights provided to airline employees, employee discounts for the purchase of company products, use of company equipment such as a company car, and "de minimis" fringe benefits such as the use of a work-site gym.

Statutory Authority:

Revenue and Taxation Code Section 17131 which partially conforms to Internal Revenue Code Section 132

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Deduction of Health Insurance Paid by Self-Employed

Description:

Self-employed individuals are allowed to deduct the cost of premiums paid for health insurance for themselves and their families. The deduction is limited to the taxpayer's net income earned from the trade or business for which the plan was established. This deduction can be taken regardless of whether the taxpayer itemizes their deductions.

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17203, 17273 which generally conform to Internal Revenue Code Section 162

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

In 2013, 647,000 returns, representing 1 million taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision generally conforms to federal law.

Exemption for Senior Citizens

Description:

Individuals over the age of 65 are eligible for an additional personal exemption credit.

Statutory Authority:

Revenue and Taxation Code Sections 17054 and 17054.1

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 2 million returns, representing 3.3 million taxpayers, claimed this exemption.

Comparable Federal Benefit:

Federal law allows taxpayers over the age of 65 to claim an additional standard deduction amount.

Personal Income Tax

Earned Income Tax Credit

Description:

Taxpayers with wage income below specified amounts in 2015, dependent on the number of their qualifying children, may claim a refundable tax credit. The credit matches 85 percent of the taxpayer's calculated federal earned income tax credit for 2015, up to a specified amount of wages and is scaled depending on the number of qualifying children, if any. The credit then phases out at the same rate for wage income above that specified amount. The matching percentage, called the adjustment factor, is set each year in the annual budget act, and would be zero if no adjustment factor is specified.

Statutory Authority:

Revenue and Taxation Code Section 17052

Sunset Date:

None

Legislative Intent:

In future years, to expand the credit to benefit a broader section of working poor Californians.

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Federal law allows taxpayers to claim a refundable tax credit based on the level of their wage and self-employment income, number of qualifying children, and filing status.

Exclusion of Transportation- Related Fringe Benefits

Description:

Employees are allowed to exclude qualified compensation for employer-provided transportation benefits from income. These benefits include up to a specified amount for parking, transit passes, and ridesharing programs. The exclusion is limited to the fair market value of the benefits received.

Statutory Authority:

Revenue and Taxation Code Sections 17090 and 17149 which generally conform to Internal Revenue Code Section 132

Sunset Date:

None

Legislative Intent:

This exclusion was intended to encourage ridesharing and transit use.

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision generally conforms to federal law.

Personal Income Tax

Exclusion of Unemployment Insurance Benefits

Description:

Benefits received from the state's unemployment insurance program are excluded from income for tax purposes. For privately-provided unemployment compensation, benefits up to the amount of prior contributions are not taxable, but benefits in excess of this amount are taxable.

Statutory Authority:

Revenue and Taxation Code Section 17083

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

In 2013, 1.3 million returns, representing 2 million taxpayers, claimed this exclusion.

Comparable Federal Benefit:

None

Exclusion of Employer Contributions to Life Insurance Plans

Description:

An employer's contribution to an employee's group term life insurance policy is exempted from the employee's gross income for the first \$50,000 of coverage.

Statutory Authority:

Revenue and Taxation Code Section 17081 which conforms to Internal Revenue Code Section 79

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Renters' Credit

Description:

Low-income individuals who rent their principal residence are eligible for a credit of \$60 if they are single, or \$120 if married filing jointly or a head of household. To be eligible, the taxpayer's income cannot exceed specified levels.

Statutory Authority:

Revenue and Taxation Code Section 17053.5

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 1.5 million returns, representing 1.8 million taxpayers, claimed this credit.

Comparable Federal Benefit:

None

Exclusion of Scholarship/Fellowship Income

Description:

Individuals may exclude from income any qualifying scholarships, fellowships, and tuition grants or reductions they receive that are used for qualified educational expenses.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 117

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusion of Nonresident Military Pay

Description:

The military compensation of a person who is not domiciled or taxable in California, but attributable to a resident spouse because of community property laws is exempt from tax.

Statutory Authority:

Revenue and Taxation Code Sections 17140.5

Sunset Date:

None

Legislative Intent:

This provision was intended to ease administration and provide tax relief to military personnel.

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 76,400 returns claimed this credit.

Comparable Federal Benefit:

This issue is only relevant to state taxation.

Exclusion of Meals and Lodging Furnished by Non-Military Employers

Description:

The value of meals and lodging furnished by non-military employers to an employee, spouse, or dependent is excluded from the income of the employee. The meals and lodging must be provided at the employer's place of business, for the convenience of the employer, and a precondition for employment.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 119

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusion of Employee Child Care Benefits

Description:

Employees may exclude the amount of child and dependent care benefits received through an employer-sponsored payroll deduction program. The exclusion is the lesser of \$5,000 per year, the amount of the taxpayer's earned income, or the amount of the taxpayer's spouse's earned income.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 129

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Exclusion of State Lottery Winnings

Description:

Winnings from the California State Lottery are exempt from tax.

Statutory Authority:

Government Code Section 8880.68

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 12,300 returns claimed this exclusion, which represented 19,300 taxpayers.

Comparable Federal Benefit:

None

Personal Income Tax

Student Loan Interest Deduction

Description:

Taxpayers may deduct interest paid on qualified education loans up to a maximum amount. This deduction is phased-out for taxpayers above a specified income level. In federal law, beginning in 2013, the AGI level at which the phase-out begins will be reduced. As California conforms to federal law, the state AGI phase-out levels will decline as well.

Statutory Authority:

Revenue and Taxation Code Section 17204 which conforms to Internal Revenue Code Section 221

Sunset Date:

None

Legislative Intent:

The intent of this provision was to make the expenses of higher education more affordable.

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

In 2013, 941,000 tax returns used this deduction. This represented 1.3 million taxpayers.

Comparable Federal Benefit:

None

Exclusion of Compensation for Injuries or Sickness

Description:

Taxpayers may exclude from income the compensation received from workers' compensation, accident insurance, state disability insurance, and health insurance for injuries or illness. This also includes compensatory damages awarded in court settlements for injury or sickness, but not punitive damages. Also, employer reimbursement for expenses incurred for the care of an employee, an employee's spouse or dependents is excluded from tax.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 104

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Exclusion of Employer-Provided Educational Assistance

Description:

Individuals may exclude from income up to \$5,250 of qualified educational assistance contributions made by their employer.

Statutory Authority:

Revenue and Taxation Code Section 17151 which partially conforms to Internal Revenue Code Section 127

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision generally conforms to federal law.

Child and Dependent Care Credit

Description:

A refundable credit is allowed for a portion of qualifying child or dependent care expenses paid for the purpose of allowing the taxpayer to be gainfully employed. The credit is a percentage of a parallel federal credit. The percentage decreases as income increases and is eliminated for taxpayers with AGI greater than \$100,000. Chapter 14, Statutes of 2011 (SB 86) repealed the refundable portion of the Child and Dependent Care credit, effective January 1, 2011.

Statutory Authority:

Revenue and Taxation Code Section 17052.6 which generally conforms to Internal Revenue Code Section 21

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

In 2013, 185,000 returns representing 284,000 taxpayers claimed this credit.

Comparable Federal Benefit:

This provision generally conforms to federal law; however, under federal law this credit does not have an income limit.

Personal Income Tax

Exclusion of Housing for Clergy

Description:

The rental value of a minister's dwelling is exempt from tax. Also, state-employed members of the clergy may allocate up to 50 percent of their gross salary to either the rental value of a home furnished to them or to the rental allowance paid to them to rent a home.

Statutory Authority:

Revenue and Taxation Code Sections 17131 and 17131.6 which partially conform to Internal Revenue Code Section 107

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision partially conforms to federal law.

Exclusion of Income Earned on Section 529 (Scholarshare) Plans

Description:

Individuals may exclude earnings of Section 529 educational savings accounts (such as California's Scholarshare program) from income, provided that, upon withdrawal, the money from the accounts is used for qualified educational expenses.

Statutory Authority:

Revenue and Taxation Code Section 17140 which conforms to Internal Revenue Code Section 529

Sunset Date:

None

Legislative Intent:

This provision was intended to encourage taxpayers to invest for future higher education expenses to make the attainment of higher education possible for the greatest number of citizens of California.

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision generally conforms to federal law.

Personal Income Tax

Moving Expense Deduction

Description:

An above-the-line deduction is allowed for certain unreimbursed moving expenses that are required to start a new job. The deduction is limited to the cost of transportation of household goods and personal effects, and travel (including lodging, but not meals) to the new residence.

Statutory Authority:

Revenue and Taxation Code Sections 17072 and 17076 which conform to Internal Revenue Code Section 217

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

For 2013, 196,000 tax returns, representing 277,000 taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision conforms to federal law.

Exclusion of Foster Care Payments

Description:

Payments received from state and local governments, as well as tax-exempt foster care placement agencies, as reimbursements for the costs of caring for a foster child are excluded from income. The foster child must live in the taxpayer's home for the exclusion to apply.

Statutory Authority:

Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 131

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Personal Income Tax

Casualty Losses Deduction

Description:

Taxpayers may deduct from gross income qualified casualty losses for which they were not compensated by insurance or other means. Casualty losses are losses caused by sudden, unexpected, or unusual events, such as floods, fires, storms, earthquakes, vandalism, theft, etc. Casualty losses are limited to losses that are greater than \$100 per loss and where the sum of all casualty losses during a year is greater than 10 percent of federal adjusted gross income.

Statutory Authority:

Revenue and Taxation Code Sections 17131, 17207, and 24347.5 which generally conform to Internal Revenue Code Section 165

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals, incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

For 2013, 9,300 tax returns, representing 12,300 taxpayers, claimed this deduction.

Comparable Federal Benefit:

This provision generally conforms to federal law except that it is limited to losses sustained in California.

Limited Partnerships Investment Source Rules

Description:

The dividends, interest, or gains and losses from qualified investment securities of members of limited partnerships are exempted from taxation if the members reside outside California, and their only contact with this state is through a security dealer, broker, or an investment advisor located in this state.

Statutory Authority:

Revenue and Taxation Code Section 17955

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This issue is only relevant to state taxation.

Personal Income Tax

Agricultural Soil or Water Conservation and Prevention of Erosion Cost Expensing

Description:

This provision allows taxpayers to deduct qualified costs associated with soil and water conservation, and the prevention of erosion.

Statutory Authority:

California Code of Regulations Title 18 Section 24369(a) and generally conform to Internal Revenue Code Section 26

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Water's Edge Election

Description:

Unitary multinational corporations are allowed the option of computing the income attributable to California on the basis of a water's-edge (domestic) combined report, as opposed to a worldwide combined report. Under the water's edge provision, a business may elect to compute its California tax by reference to only the income and factors of a limited number of entities. In general, these entities include United States incorporated entities, the United State activities of foreign incorporated entities, and the activities of various foreign entities that are included in the federal consolidated return. The election is generally for a seven-year period.

Statutory Authority:

Revenue and Taxation Code Sections 25110-25113

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Corporations

Number of Taxpayers/Number of Returns:

For 2013, 15,000 returns elected the water's edge method.

Comparable Federal Benefit:

Federal law uses a different method of determining income subject to tax, but it relies on the same information as the water's edge method.

Corporation Tax

Research and Development Credit

Description:

Businesses are allowed a credit for increased research expenditures over a four-year base period.

Statutory Authority:

Revenue and Taxation Code Sections 17052.12 and 23609 in partial conformity with Internal Revenue Code Section 41

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

For 2013, 5,800 personal income tax returns and 3,100 corporate tax returns claimed this credit.

Comparable Federal Benefit:

This provision partially conforms to federal law.

Enterprise Zones and Similar Areas

Description:

Several tax incentives are available for certain types of expenditures or income earned in economically depressed areas of the state. These include areas designated as Enterprise Zones (EZs), Local Agency Military Base Recovery Areas (LAMBRAs), Targeted Tax Areas (TTAs), and Manufacturing Enhancement Areas (MEAs).

- (1) Employers in these areas may be allowed a credit for a portion of the wages paid to qualified individuals.
- (2) Employers may be eligible for a credit for the amount of sales and use taxes paid on certain purchases of machinery or parts.
- (3) Employees in these designated areas may be eligible for an income tax credit of five percent of their qualified wages.
- (4) Taxpayers may exclude the net interest from certain investments or loans to businesses in economically distressed areas.
- (5) Businesses in designated areas are allowed to expense part of the costs of business equipment beyond normal expensing limits.

Statutory Authority:

Chapter 12.8 of the Government Code, and Revenue and Taxation Code Sections 17053.33 17053.34, 17053.45, 17053.46, 17053.47, 17053.7, 17053.74, 17053.75, 17268, 17276.2, 23612.2, 23622.7, 23622.8, 23633, 23634, 23645, and 23646

Sunset Date:

None

Corporation Tax

Enterprise Zones and Similar Areas (continued)

Legislative Intent:

These provisions were intended to help attract business and industry to the state, and more specifically to selected areas meeting various criteria, to help retain and expand existing state business and industry, and to create increased job opportunities for all Californians.

Beneficiaries:

Individuals and incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

In 2013, 37,400 personal income tax returns, and 7,500 corporate returns claimed these tax incentives.

Comparable Federal Benefit:

These provisions do not conform to federal law; however, federal law does provide similar tax incentives for designated empowerment zones and renewal communities.

Repeal of Enterprise Zones Provisions:

Chapter 69, Statutes of 2013, repealed provisions allowing for Enterprise Zones and similar development areas, effective January 1, 2014. The Enterprise Zone (and similar areas) program has been replaced, for taxable years beginning on or after January 1, 2014. The new economic development program includes a hiring credit in high poverty areas, a sales tax exemption for manufacturing equipment, and a credit awarded on a competitive basis to businesses that attract or retain jobs in the state.

Like-Kind Exchanges

Description:

No gain or loss is recognized when business or investment property is exchanged solely for similar (like-kind) property. If, as part of the exchange, dissimilar property (not like-kind) or money is received, gain is recognized on the value of dissimilar property or money received, but a loss is not recognized.

Statutory Authority:

Revenue and Taxation Code sections 18031 and 24941 which conform to Internal Revenue Code Section 1031

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals, incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law

Corporation Tax

Subchapter S Corporations

Description:

Corporations that meet specified criteria are allowed to elect Subchapter S corporation status for tax purposes. An S corporation pays tax on corporate income at a reduced rate of 1.5 percent, except for financial institutions, which are subject to a 3.5 percent rate. An S corporation is not subject to the Alternative Minimum Tax but is subject to the applicable corporate minimum tax. Individual shareholders of an S corporation pay personal income taxes on their pro rata share of corporate income.

Statutory Authority:

Revenue and Taxation Code Sections 17087.5, 18006, and 23800-23813 which partially conform to Internal Revenue Code Sections 1361-1379

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

For the 2013 tax year, there were 485,000 S corporation returns reporting some income/losses.

Comparable Federal Benefit:

This provision generally conforms to federal law; however, no entity-level tax is imposed at the federal level.

Tax-Exempt Status for Qualifying Nonprofit and Charitable Corporations

Description:

Qualifying nonprofit and charitable organizations may request exemption from corporate franchise and income taxes.

Statutory Authority:

Revenue and Taxation Code Section 23701

Sunset Date:

None

Legislative Intent:

Provide tax relief to nonprofit, charitable, and qualified membership organizations.

Beneficiaries:

Nonprofit Corporations

Number of Taxpayers/Number of Returns:

In 2013, 191,600 returns claimed this exemption.

Comparable Federal Benefit:

None

Corporation Tax

Accelerated Depreciation of Research and Experimental Costs

Description:

Research and experimental expenditures may be deducted currently, or may be amortized over a 60-month period at the election of the taxpayer.

Statutory Authority:

Revenue and Taxation Code Sections 17201 and 24365 which conform to Internal Revenue Code Sections 59 and 174

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Film Credit

Description:

Provides a nonrefundable corporation franchise tax, personal income tax, or sales tax credit to qualified taxpayers who produce a motion picture in California or relocate a television series or independent film to California. The credits are allocated and certified by the California Film Commission. The annual allocation of credits is \$100 million per year through 2014-15 and \$330 million per year for 2015-16 through 2019-20.

Statutory Authority:

Revenue and Taxation Code Sections 17053.85, 17053.95, 23685, 23695, 6902.5

Sunset Date:

2019-20 is the final year in statute that credit allocations can be made. Any credit amounts that cannot be used in the year generated can be carried forward indefinitely.

Legislative Intent:

To replace the program's arbitrary lottery system with a competitive system that ranks tax credit applications according to net new job creation and economic benefits to the state.

Beneficiaries:

Corporations and Individuals

Number of Taxpayers/Number of Returns:

In 2013, 26 personal income tax returns, and 10 corporate returns claimed these tax credits.

Comparable Federal Benefit:

None

Corporation Tax

Credit Union Treatment

Description:

Credit unions are exempt from state income and franchise taxes. Since credit unions are nonprofit, membership organizations, only their member income is generally exempt from tax. This provision also exempts their "nonmember" income (such as investment income on excess deposits or miscellaneous sources of income, such as ATM fees charged to nonmembers) from taxation.

Statutory Authority:

Revenue and Taxation Code Section 23153

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Non-profit cooperative associations

Number of Taxpayers/Number of Returns:

In 2013, 381 credit unions claimed this exemption.

Comparable Federal Benefit:

None

California Competes Credit

Description:

An income tax credit is competitively awarded based on several factors, including the number of jobs in California, compensation paid to its employees, the amount of investment in California, and the business' economic impact. The maximum credit that can be allocated is \$30 million in 2013-14, \$150 million in 2014-15, and \$200 million annually in 2015-16 through 2017-18. These maximum amounts may be reduced to ensure that the aggregation of the estimated amounts of the sales tax exemption on manufacturing equipment, the new hiring credit, and this credit do not exceed \$750 million per year.

Statutory Authority:

Revenue and Taxation Code Sections 17059.2 and 23689

Sunset Date:

December 1, 2025

Legislative Intent:

To attract and retain high-value employers in the state by allowing businesses to publicly apply for tax credits on the basis of job creation and retention standards.

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not Available

Comparable Federal Benefit:

This is a state-only benefit.

Corporation Tax

Exemption from the Minimum Tax for First-Year Corporations

Description:

A minimum tax of \$800 is generally imposed on corporations subject to the corporation franchise tax. However, corporations in their first year of business are generally not subject to the minimum tax.

Statutory Authority:

Revenue and Taxation Code Section 23153

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Corporations

Number of Taxpayers/Number of Returns:

In 2013, 56,500 returns claimed this exemption.

Comparable Federal Benefit:

None

Low-Income Housing Credit

Description:

A tax credit is allowed for a portion of the costs of investing in qualified low-income rental housing. The aggregate amount of the credit is capped, and specific credits are allocated to applicants by the California Tax Credit Allocation Committee. Credits are allocated to developers who, in turn, sell them to investors in exchange for project funding. All projects receiving the California credit must also receive the parallel federal credit.

Statutory Authority:

Revenue and Taxation Code Sections 17058 and 23610.5 in conformity with Internal Revenue Code Section 42

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals, unincorporated and incorporated businesses

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 300 personal income tax returns and 26 corporation tax returns claimed this credit.

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Employee Stock Ownership Plans (ESOP)

Description:

Employers that provide employee stock ownership plans are allowed a deduction for dividends paid to an ESOP, when those dividends are paid by the ESOP to participants or are used to retire ESOP debt. Also, capital gains on the sale of stock to an ESOP are deferred if the proceeds are used to acquire a similar type of security.

Statutory Authority:

Revenue and Taxation Code Sections 18042 and 24601-24612 which generally conform to Internal Revenue Code Sections 401-424 and 1042

Sunset Date:

None

Legislative Intent:

This provision was intended to broaden employee ownership of California businesses, as well as prevent undue recordkeeping burdens and costs of compliance by being out of conformity with federal law.

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

New Advanced Strategic Aircraft Hiring Credit

Description:

Qualified aerospace companies are allowed a credit equal to 17.5 percent of wages paid to qualified employees during a taxable year with annual caps over 15 years ranging from \$25 to \$31 million.

Statutory Authority:

Revenue and Taxation Code Sections 23636 and 23689

Sunset Date:

December 1, 2030

Legislative Intent:

Not specified

Beneficiaries:

Corporations

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None.

Corporation Tax

Percentage Depletion of Mineral and Other Natural Resources

Description:

Taxpayers may deduct a fixed percentage of gross income for resource depletion, which is generally more than the deduction that would be allowed under the normal cost-depletion method. The percentage depends upon the type of resource, and the depletion allowance cannot be more than 50 percent of the taxpayer's related net income prior to the depletion deduction, or more than 100 percent for oil and gas properties.

Statutory Authority:

Revenue and Taxation Code Sections 17681 and 24831 which conform to Internal Revenue Code Sections 611, 612, 613, and 613A

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Hiring Credit (2013 Budget Act)

Description:

Provides that a qualified employer located in designated areas can take a credit against their tax of 35 percent of qualified wages between 1.5 and 3.5 times the minimum wage for a period of five years. The credit is only available to taxpayers that have a net increase in jobs.

Statutory Authority:

Revenue and Taxation Code Sections 17053.73 and 23626

Sunset Date:

December 1, 2024

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision does not conform to federal law, however, federal law does provide various hiring tax credits to employers.

Corporation Tax

Jobs Tax Credit

Description:

Provides that a qualified employer can take a credit against their tax of \$3,000 for each increase in qualified full-time employees during the tax year. The total allowable credits for all tax years are \$400 million.

Statutory Authority:

Revenue and Taxation Code Sections 17053.80 and 23623

Sunset Date:

Repealed as of December 1, 2014

Legislative Intent:

Not Specified

Beneficiaries:

Small businesses

Number of Taxpayers/Number of Returns:

In 2013, 10,300 personal income tax returns, and 2,200 corporate returns claimed these tax credits.

Comparable Federal Benefit:

None

Expensing of Timber Growing Costs

Description:

Expenses of growing timber fall into three categories. Some must be capitalized and recovered through cost depletion as the timber is cut. Some are fully deductible. Others may be used only to offset the proceeds of sale.

A. Capitalized costs – Preparation of the site including brush removal, cost of seedlings, and labor and tool expense, including depreciation of equipment used in planting, are capital expenditures and are added to the basis of the timber. These costs are recovered under cost depletion as the timber is cut.

B. Fully deductible – Expenditures incurred for silvicultural practices, such as weeding, cleaning, or noncommercial thinning, are currently deductible business expenses.

Reforestation expenses (on property located in California) of up to \$10,000 on any one timber property may be expensed in any year, and the balance of reforestation expenses above this amount may be amortized for 84 months.

C. Offset proceeds of sale –The cost of land improvements, such as road grading, ditching, and firebreaks, are capitalized into the basis of the land; they are not added to the basis of the timber and are recovered as an offset against the sales proceeds when the land is sold. Expenses related to the sale of the timber must be offset against the sales proceeds.

Corporation Tax

Expensing of Timber Growing Costs (continued)

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17278.5, 17681, 24343, 24373.2, and 24831 which conform to Internal Revenue Code Sections 162, 194, and 611

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Reforestation

Description:

Under this program, taxpayers can amortize over seven years up to \$10,000 per year of qualifying reforestation expenditures. These expenditures include the direct costs of forestation and reforestation, such as site preparation, seeds, labor and equipment.

Statutory Authority:

Revenue and Taxation Code Section 17278.5 and 24372.5, which conforms to Internal Revenue Code Section 194

Sunset Date:

None

Legislative Intent:

The program's intent is to speed up the reforestation of depleted timberlands.

Beneficiaries:

Individuals and incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This treatment conforms to federal practice, except that the benefit is limited to reforestation activities located in California.

Corporation Tax

Community Development Financial Institutions Tax Credit

Description:

Under this program, investors receive a tax credit worth 20 percent of their investment in one of the community development financial institutions certified by the California Organized Investment Network. The credit can be applied against the corporation tax, personal income tax, or insurer premium tax.

Statutory Authority: Revenue and Taxation Code Sections 12209 and 17053.57

Sunset Date:

January 1, 2017

Legislative Intent:

Not specified

Beneficiaries:

Individual and incorporated and unincorporated business investors.

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 126 personal income tax returns and an undisclosed number of corporate tax returns.

Comparable Federal Benefit:

None.

National Heritage Preservation Credit

Description: Provides a nonrefundable credit to taxpayers who donate property for conservation purposes. The amount of the tax credit equals 55 percent of the fair market value of the donated real property. The California Wildlife Conservation Board must approve Property donations. Prior to approving any credits, the Board must find that bond act monies or local funds would be provided to eliminate any General Fund Cost.

Statutory Authority: Revenue and Taxation Code Sections 17053.3 and 23630; Division 28 (commencing with section 37000) of the Public Resources Code

Sunset Date:

Non

Legislative Intent:

To protect wildlife habitat, open space, and agricultural lands by providing up to one hundred million dollars (\$100,000,000) in tax credits for donations of qualified land.

Beneficiaries:

Individual and incorporated and unincorporated business investors.

Number of Taxpayers/Number of Returns:

For the 2013 tax year, 126 personal income tax returns and an undisclosed number of corporate tax returns.

Comparable Federal Benefit:

None.

Food Products

Description:

Sales of food for human consumption are not generally subject to the sales and use taxes. However, this exemption does not generally include hot prepared food, food sold and consumed at or on the seller's facility, or food sold for consumption where there is an admission charge.

Statutory Authority:

Revenue and Taxation Code Section 6359

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Prescription Medicine

Description:

Medicine that is prescribed for an individual and furnished by a registered pharmacist is exempt from tax. This exemption also includes such things as orthotic and prosthetic devices and parts.

Statutory Authority:

Revenue and Taxation Code Sections 6369 and 6369.1

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Gas, Electricity, and Water

Description:

Gas, electricity, and water delivered through mains, lines, or pipes are exempt from tax. Water sold in bulk quantities of 50 gallons or more and liquefied petroleum gas delivered for use in a residence is also exempt.

Statutory Authority:

Revenue and Taxation Code Section 6353

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, and Medicines

Description:

Sales of animals which are generally used for human food, as well as the feed and drugs used for those animals is exempt from tax. Also, seeds and plants that are normally used for human food and fertilizer for those plants are exempt from tax.

Statutory Authority:

Revenue and Taxation Code Section 6358

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Candy, Confectionery, Snack Foods, and Bottled Water

Description:

Candy, gum, confectionery, snack foods, and bottled water are not subject to the sales and use taxes.

Statutory Authority:

Revenue and Taxation Code Section 6359

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Manufacturing and Research & Development Equipment Exemption

Description:

Beginning July 1, 2014, manufacturers and certain research and development businesses may qualify for a partial exemption of sales and use tax on qualifying manufacturing and research and development equipment purchases and leases.

Statutory Authority:

Revenue and Taxation Code Section 6377.1

Sunset Date:

July 1, 2022

Legislative Intent:

To exempt manufacturing equipment from state sales and use taxes in order to make California more competitive in attracting new businesses to the state, and to bring California in line with the 48 other states that exempt manufacturing equipment from sales and use tax.

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

In 2014-15, 10,057 returns claimed this exemption.

Comparable Federal Benefit:

Farm Equipment and Machinery

Description:

Sales of farm equipment, machinery, and their parts are exempt from 5.5 percent of the 6.5 percent state sales and use tax rate when sold to qualified persons engaged in the business of producing and harvesting agricultural products.

Statutory Authority:

Revenue and Taxation Code 6356.5

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

In 2014-15, 15,999 returns claimed this exemption.

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Fuel Sold to Common Carriers

Description:

Sales of fuel and petroleum products to air common carriers for international flights are exempt from tax.

Statutory Authority:

Revenue and Taxation Code Section 6357.5

Sunset Date:

None

Legislative Intent:

This provision was intended to allow domestic fuel producers to compete equally with foreign producers, who are exempt under federal law from state sales taxes on airline fuel used in international travel.

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Custom Computer Programs

Description:

The transfer of custom computer programs, other than a basic operational program, and separate charges for custom modifications to existing prewritten programs are excluded from the definition of "sale." Therefore, these computer programs are not subject to the sales and use taxes.

Statutory Authority:

Revenue and Taxation Code 6010.9

Sunset Date:

None

Legislative Intent:

This provision was intended to provide an incentive for the development and utilization of computer software.

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Diesel Fuel Used in Farming and Processing

Description:

Sales of diesel fuel are exempt from the 5.5 percent state sales and use tax when that fuel is consumed during the activities of a farming or food processing business. Farming business includes transporting farm products to the marketplace.

Statutory Authority:

Revenue and Taxation Code 6357.1

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

In 2014-15, 915 returns claimed this exemption.

Comparable Federal Benefit:

Subscription Periodicals

Description:

Sales of periodicals that appear at stated intervals of at least 4 times per year but not more than 60 times per year, and their ingredient and component parts are exempt from the sales and use taxes when the periodical is sold by subscription and delivered by mail or common carrier.

Statutory Authority:

Revenue and Taxation Code Section 6362.7

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Water Common Carriers

Description:

The sale of fuel and petroleum products is exempt when sold to a water common carrier for immediate shipment outside this state.

Statutory Authority:

Revenue and Taxation Code Section 6385

Sunset Date:

January 1, 2024

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Teleproduction and Post-Production Equipment

Description:

Sales of teleproduction and post production equipment to businesses primarily engaged in teleproduction and post production activities is exempt from the 5.5 percent state sales and use tax when that property is used 50 percent or more in those activities.

Statutory Authority:

Revenue and Taxation Code Section 6378

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

In 2014-15, 2,190 returns claimed this exemption.

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

California Alternative Energy

Description:

Authorizes the California Alternative Energy and Advanced Transportation Financing Authority to approve a sales and use tax exemption on the purchase of tangible personal property that is used for the design, manufacture, production, or assembly of advanced transportation technologies or alternative energy products.

In 2012, this program was expanded to allow the sales tax exemption for tangible personal property used in advanced manufacturing projects. In 2016, the sales tax exemption was expanded to projects that process and use recycled feedstock.

Statutory Authority:

Public Resources Code Section 26003

Sunset Date:

The entire sales and use tax exclusion program will sunset on January 1, 2021.

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Motion Picture Production Services

Description:

Transfers of any qualified motion picture or any interest or rights therein prior to the date that the qualified motion picture is exhibited or broadcast to its general audience and the performance of qualified motion picture production services is not subject to tax.

Statutory Authority:

Revenue and Taxation Code Section 6010.6

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Local governments, individuals, and businesses that are served by these departments.

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Meals Furnished by Institutions

Description:

Meals furnished by institutions such as health facilities, residential care facilities for the elderly, drug treatment facilities, community care facilities, and alcohol recovery facilities are not subject to tax.

Statutory Authority:

Revenue and Taxation Code Section 6363.6

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Leases of Motion Picture and Television Films and Tapes

Description:

Leases of motion pictures, animated motion pictures, and television films and tapes are not considered sales. The lessor is considered the consumer of such tangible personal property it leases.

Statutory Authority:

Revenue and Taxation Code Sections 6006 and 6010

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

There is no federal sales tax

Sales and Use Taxes

Printed Advertising

Description:

Sales of printed material which is substantially advertisements for good and services are exempt from tax if the material is (1) printed to the special order of the purchaser, (2) mailed or delivered by the seller, the seller's agent, or a mailing house, and (3) delivered to another person at no cost to that person.

Statutory Authority:

Revenue and Taxation Code 6379.5

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Fuel Taxes

Aircraft Jet Fuel Used by Common Carriers and Military

Description:

Air common carriers engaged in the business of transporting persons or property for compensation under certification of public necessity by the state, national, or any foreign government, persons engaged in the business of constructing or reconstructing aircraft, and the United States armed forces are exempt from the tax on aircraft jet fuel.

Statutory Authority:

Revenue and Taxation Code Sections 6357.5 and 7389

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses and U.S. government

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Fuel Taxes

Fuel Used by Transit Districts and Schools

Description:

Diesel fuel purchased by certain public transit agencies, school districts, and common carriers is taxed at a reduced rate of 1 cent per gallon.

Statutory Authority:

Revenue and Taxation Code Sections 8655, 60039, and 60502.2

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Government agencies and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

Federal law exempts these sales.

Property Tax

Computer Programs

Description:

Computer programs other than basic operational programs which are necessary for the fundamental functioning of the computer are exempt from tax. The storage media for the programs are, however, taxable.

Statutory Authority:

Revenue and Taxation Code 995

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Property Tax

Fixtures Excluded From the Supplemental Roll

Description:

Fixtures that are valued as a separate appraisal unit from the structure on the property are exempt from supplemental property tax assessment. Fixtures are personal property such as equipment that are affixed to and incorporated into real property.

Statutory Authority:

Revenue and Taxation Code Section 75.5 and 75.15

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

